

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



September 14, 2020

Dan Skopec
San Diego Gas & Electric Company
8330 Century Park Court
San Diego, CA 92123-1548

SUBJECT: Wildfire Safety Division Approval of San Diego Gas & Electric Company's 2020 Safety Certification Request

Dear Mr. Skopec:

This letter constitutes the Wildfire Safety Division's (WSD's) issuance of San Diego Gas and Electric (SDG&E) Company's 2020 Safety Certification. This letter represents the WSD's certification that SDG&E has met all the relevant requirements of Public Utilities Code (Pub. Util. Code) §8389, as detailed below, regarding its 2020 Safety Certification. This Safety Certification is valid for twelve months from issuance and has only the force and effect given to it by Pub. Util. Code §§451.1(c) and 8389.

On May 8, 2020,¹ the WSD issued a guidance letter² outlining the submission requirements for the 2020 Safety Certification requests pursuant to Pub. Util. Code §8389(f)(2). SDG&E submitted its 2020 Safety Certification request on June 16, 2020. On June 25, 2020, the WSD³ solicited stakeholder input on the 2020 Safety Certification requests and provided supplemental guidance on the meaning of an approved Wildfire Mitigation Plan (WMP) requirement under Pub. Util. Code §8389(e)(1). Stakeholders submitted comments on July 9, 2020, and SDG&E replied to comments on July 16, 2020.

Requests submitted for 2020 Safety Certifications have been reviewed in accordance with the statutory requirements enumerated in Pub. Util. Code §8389(e). The WSD takes a particular interest, however, in how the utilities are implementing all the components required in the Safety Certification across the organization to reduce utility-caused catastrophic wildfire risk. Specifically, the WSD is attuned to understanding how key metrics identified in WMPs, Executive Compensation structures, and Safety Culture Assessments are aligned to ensure the reduction of wildfire risks.

¹ The guidance letter is dated May 6, 2020 but was served on the service list of Rulemaking 18-10-007 on May 8, 2020.

² WSD's letter issuing guidance to SDG&E on the 2020 Safety Certification process- [WSD Guidance on Submission of 2020 Safety Certification Requests Pursuant to Public Utilities Code § 8389\(f\)\(2\)](#)

³ WSD's letter soliciting Stakeholders input to the 2020 Safety Certification request - [WSD 2020 Safety Certification Process - Stakeholder Comments and Supplemental Guidance](#)

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Discussion

For the purposes of this review, the WSD will confirm the electric corporation meets the requirements for a Safety Certification under the following criteria:

- Wildfire Mitigation Plans: Current year WMPs must be approved, and the approved activities in the WMPs must be in progress.
- Board of Directors: The electrical corporation's Board of Directors must have a safety committee comprised of members with relevant safety experience and establish an executive-level reporting structure to the Commission on safety issues.
- Executive Compensation: The compensation structure for the company's executives must have the proper incentives to reduce catastrophic wildfire risk.
- Safety Culture: The electrical corporation must agree to implement the findings of their most recent safety culture assessment.

Wildfire Mitigation Plans

On February 7, 2020, SDG&E submitted its WMP covering the years of 2020 to 2022. Following a comprehensive review of SDG&E's WMP and related stakeholder input, the Commission ratified the WSD's approval of SDG&E's WMP with conditions on June 11, 2020, via Resolution WSD-005. On the basis of the WSD's conditional approval of SDG&E's 2020 WMP, SDG&E has satisfied the requirement under Pub. Util. Code §8389(e)(1), that "the electrical corporation has an approved Wildfire Mitigation Plan (§8389 (e)(1))."

All electrical corporations who submitted a WMP were also subject to the twelve conditions listed in WSD-002, which found the electrical corporations' WMPs to contain deficiencies and required follow-up information to be submitted via a Remedial Compliance Plan (RCP), Quarterly Report, and its annual update.⁴ In addition, the WSD imposed several specific conditions on SDG&E's WMP as listed in WSD-005.

The WSD acknowledges the recommendations from stakeholders; Protect Our Communities Foundation (PCF), Public Advocate's Office (PAO) and The Utility Reform Network (TURN) advocate against the issuance of a Safety Certification to SDG&E until the WSD has found that SDG&E has satisfied the conditions contained in WSD-002 and WSD-005. The WSD will continue to oversee compliance with the WMP, consistent with the criteria prescribed under 8386.3(c), including deficiencies identified in SDG&E's WMP. On the basis of the WSD's conditional

⁴ See [RES WSD-002 Final Guidance Resolution](#) for complete description of Remedial Compliance Plan , Quarterly Report etc.

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approval of SDG&E's 2020 WMP, SDG&E has satisfied the requirement under Pub. Util. Code §8389(e)(1), that "the electrical corporation has an approved Wildfire Mitigation Plan (§8389 (e)(1))."

Pub. Util. Code Section 8389(e)(7) provides that the electrical corporation is implementing its approved WMP including the submission of Tier 1 Advice Letters containing information as required by this code section. To satisfy the requirements of §8389(e)(7), the electrical corporation was required to include with its request for a Safety Certification all Tier 1 advice letters required by §8389 (e)(7) submitted since issuance of the initial Safety Certification, along with an explanation of how the information reported in the advice letters complies with §8389(e)(7). The electrical corporation was also required to submit the results of any WSD compliance audits of 2019 Wildfire Mitigation Plans or audits associated with 2020 WMPs, if any, along with an explanation of remedies.

SDG&E submitted two Tier 1 advice letters detailing implementation of its approved WMP. The two submissions demonstrate WMP progress updates describing SDG&E's advancement in meeting WMP goals and metrics. The WSD finds that SDG&E's submission is adequate to satisfy the requirement of Pub. Util. Code §8389(e)(7).

Board of Directors

An electrical corporation must meet two requirements related to its Board of Directors to satisfy the statutory requirements for issuance of a subsequent Safety Certification. The first requirement states that its Board of Directors must have a safety committee comprised of members with appropriate and relevant experience. The second requirement states that the electrical corporation's board must establish executive-level reporting to the Commission on safety issues. The WSD requested documentation to verify these requirements.

SDG&E submitted the names and curriculum vitae of its Executive Safety Committee to demonstrate their safety expertise. The members of the Executive Safety Committee consist of three people with relevant safety experience. The Chair is Erbin B. Keith, who has a variety of operational, safety, and compliance functions. The other members of the Executive Safety Committee identified in Attachment 2 of SDG&E's request are Robert J. Borthwick and Trevor I. Mihalik. Both have several years of safety experience, environmental health experience, and experience implementing safety requirements. The three members have served on SDG&E's Executive Safety Committee since 2019.

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Although not a statutory requirement under §8389(e), to satisfy the conditions for issuance of a safety certification, SDG&E established a Community Wildfire Safety Advisory Council⁵ that meets four times a year with a focus on safety oversight and managing safety initiatives through the Executive Safety Committee. The Community Wildfire Safety Advisory Council consists of independent community members with extensive public safety and wildfire experience, and the members provide input and guidance to the Executive Safety Committee.

SDG&E reported that its management focuses on overseeing and managing safety initiatives through its Executive Safety Committee. Further, SDG&E reports that it fulfills the requirements of §8389(e)(5) through the information provided in its Advice Letters to communicate safety issues to the Commission. No stakeholders submitted comments regarding the experience of SDG&E's board members.

The WSD shares TURN's concern that additional requirements may be necessary to meet the spirit of the code. At its most basic level, SDG&E has satisfied the requirements of §8389(e)(3) and §8389(e)(5) for issuance of its 2020 Safety Certification. SDG&E has established a safety committee with relevant expertise and has established reporting to the Commission.

Safety Culture Assessment

Pub. Util. Code §8389(e)(2) requires that "the electrical corporation is in good standing, which can be satisfied by the electrical corporation having agreed to implement the findings of its most recent safety culture assessment." To date, the WSD has not completed a Safety Culture Assessment for SDG&E, although such an assessment is under development.

The WSD held a two-day workshop on August 11 and 12, 2020 focused on utility safety culture and other topics. On August 26, 2020 the WSD received stakeholder comments on the WSD's recommendations for developing a Safety Culture Assessment process. The statutory deadline for Commission consideration of the WSD-proposed WMP guidelines and Safety Culture Assessment process updates is December 1, 2020.

Absent a safety culture assessment conducted by the WSD and the Commission, SDG&E followed the guidance letter issued by the WSD on May 8, 2020 and submitted documentation to demonstrate its compliance with the Pub. Util. Code §8389(e)(2). SDG&E contends that it "has numerous standards, standard practices, programs documents, operating procedures, work methods, and other document across multiple business units that address safety in some

⁵ See Decision 20-05-051, Adopting Phase 2 Updated and Additional Guidelines for de-energization of electric facilities to mitigate wildfire risk

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fashion, such that documents are largely driven by its Injury and Illness Prevention Plan.” SDG&E’s Safety Service Department administers these overarching documents, which were included as Attachment 1 to its request.

The documentation SDG&E submitted covers six areas:

- safety policies, including employee and contractor safety;
- number of reported ignitions to date in 2020 pursuant to Decision 14-02-015;
- number of fatalities and/or structures damaged and/or destroyed by wildfires alleged to have been ignited by utility infrastructure and/or equipment;
- worker and contractor fatalities and incidents since issuance of the previous Safety Certification;
- Commission investigations and court actions, if any, related to safety violations of the electrical corporation, including ongoing and closed investigations; and
- responses to any WSD requests for remedies as a result of compliance findings from the evaluation of the 2019 and 2020 Wildfire Mitigation Plans for remedies.

SDG&E reported that there have been seven ignitions based on the definition in D.14-02-015 without fatalities or structural damages. SDG&E described that since July 2019 there have been no employee or contractor reportable fatalities or injuries pursuant to the Occupational Safety and Health Administration. In response to the Commission investigations and court actions, SDG&E reported one Order Instituting Investigation (I.19.11.013) on the Commission’s own motion concerning Public Safety Power Shutoffs Events. SDG&E did not provide a response to the WSD’s request for remedies as a result of compliance findings from evaluations of the 2019 and 2020 Wildfire Mitigation Plans.

TURN and PCF, in comments, stated that SDG&E has not yet undergone a Safety Culture Assessment and cannot otherwise be said to be in good standing. The WSD has yet to initiate a Safety Culture Assessment, and, in its place, SDG&E complied with the May 8, 2020 guidance Letter by providing comparable information to satisfy the requirements of §8389(e)(2). In addition, TURN commented that SDG&E’s failure to comply with the Commission’s express orders should prevent its consideration for being in good standing. SDG&E, in its reply comments, maintains that it has not failed to provide all required information regarding electric and gas safety, and reference Attachment 2 of its request. The only information that may be pending, according to SDG&E, is in connection with the WSD’s request for remedies as a result of compliance findings from evaluation of the 2019 and 2020 WMPs, which would be issued in connection with the WMP compliance phase relating to § 8389.3(c). The WSD will review SDG&E’s RCPs and Quarterly Reports in detail to assess compliance with its WMP.

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As the WSD refines its approach to annual Safety Culture Assessments, key metrics such as employee and contractor injuries and fatalities will likely be reviewed through the lens of wildfire initiatives. The WSD expects that SDG&E will continue to be committed to its 'principle of Safety First' as demonstrated through the company's commitment to creating and maintaining a safe environment for employees, contractors, and the public.

The WSD acknowledges the limitations of the current year safety culture submissions and expects that the annual Safety Culture Assessment currently under development will inform future submission. While the submissions in 2020 were informative, they do not provide the holistic assessment the WSD seeks to obtain.

Accordingly, based on information received to date, the WSD approve SDG&E's submission as satisfying § 8389(e)(2.).

Executive Compensation

Pub. Util. Code §8389(e)(4), provides that the electrical corporation must establish an executive incentive compensation structure to: promote safety as a priority, ensure public safety and utility financial stability with performance metrics, and include incentive compensation based on meeting performance metrics that are measurable and enforceable. This may include tying up to 100 percent of incentive compensation to safety performance and denying all incentive compensation in the event the electrical corporation causes a catastrophic wildfire that results in one or more fatalities.

SDG&E asserts in its submission that its executive compensation structure satisfies the requirements of Pub. Util. Code §8389(e)(4). To support this assertion, SDG&E provided the supporting documentation in its January 27, 2020 letter and later on February 11, 2020 in a response to comments on its executive incentive compensation structure, documenting compliance with §8389(e)(4) and §8389(e)(6).

In the February 11, 2020 letter, SDG&E demonstrated that its executive compensation structure meets requirements of Pub. Util. Code §8389(e)(6) by providing a description and table breaking down the allocation of Base Pay, Variable Pay, and Target awards. In addition, SDG&E claimed that there are no guaranteed monetary incentives, that a significant portion of executive compensation takes the form of Sempra Energy stock, and that it is not aware of any indirect or ancillary compensation that is not aligned with shareholder and taxpayer interests. SDG&E contends it has fully demonstrated in its January 27 submission that its forward-looking executive compensation structure meets requirements of and §8389(e).

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The WSD recognizes concerns raised by TURN and the PAO regarding SDG&E's omitting required or requested information. SDG&E provided detailed descriptions of how its executive incentive compensation plan structure (Variable Pay) meet the requirements of §8389(e)(4), by describing the plan, identifying the safety goals and percentage, and providing descriptions.

In its June 30, 2020 letter⁶, the WSD found that SDG&E's executive compensation program minimally and conditionally satisfies the requirements of Pub. Util. Code §8389(e)(4) and §8389(e)(6). The WSD notes TURN's disagreement with SDG&E's submission, stating that the considerable detail of submissions fell short of the statutory criteria. To reiterate the WSD's June 30, 2020 letter approving SDG&E's Executive Compensation program, SDG&E's 2020 executive compensation program minimally and conditionally satisfies the conditions §8389(e)(4) and 8389(e)(6) for issuance of a Safety Certification.

Conclusion

SDG&E's request for a Safety Certification satisfies the statutory requirements in Pub. Util. Code § 8389 (e). The WSD expects SDG&E to uphold the values stated in their submission and continue to advance safety as a top priority. This letter approves SDG&E's 2020 request for a subsequent Safety Certification. This Safety Certification is valid for one year from the date of this letter.

Sincerely,



Caroline Thomas Jacobs
Director, Wildfire Safety Division
California Public Utilities Commission

⁶ Link to [Approval Letter from WSD](#) Approving Southern California Edison Company's 2020 Executive Compensation Program Pursuant to Public Utilities Code §§ 8389(e)4 and 8389(e)6.